



SACHI A. HAMAI
Interim Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

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"To Enrich Lives Through Effective And Caring Service"

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September 29, 2015


The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

13 September 29, 2015


PATRICK OGAWA
ACTING EXECUTIVE OFFICER

**LEASE AMENDMENT
DEPARTMENT OF MENTAL HEALTH
10421 SOUTH FIGUEROA STREET, LOS ANGELES
(SECOND DISTRICT)
(3 VOTES)**

SUBJECT

A seven-year lease amendment for 5,296 square feet of office space, and 20 on-site parking spaces for the Department of Mental Health to provide continued use of the existing facility.

IT IS RECOMMENDED THAT THE BOARD:

1. Find that the proposed lease amendment is categorically exempt from the provisions of the California Environmental Quality Act pursuant to Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors, per Section 15301 of the State of California Environmental Quality Act Guidelines (Existing Facilities).
2. Approve and instruct the Mayor to sign the seven-year amendment to the lease agreement with Harutyun Yeranoshian (Landlord) for the Department of Mental Health to continue occupancy of 5,296 square feet of office space, and 20 on-site parking spaces at 10421 South Figueroa Street, Los Angeles, at an annual rental cost of \$127,104. The lease costs are 100 percent funded by State and federal revenue.
3. Authorize the Interim Chief Executive Officer and the Director of Mental Health to implement the project. The lease amendment will be effective upon approval by the Board of Supervisors.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The proposed lease amendment is for the continued use of a facility to provide direct mental health services in coordination with the Department of Children and Family Services' (DCFS) Foster Care Youth within Service Planning Area 6. Approval of the ongoing lease will continue to enable the Department of Mental Health (DMH) and DCFS to maintain comprehensive, community-based, culturally relevant treatment programs to quickly and effectively address the mental health needs of children under the care of DCFS in the service area. Over the past several years, DMH and DCFS have engaged in collaborative efforts to improve and increase crisis response, assessment, treatment, and coordinated client-care outcomes related to timely and appropriate outpatient mental health services for those who require foster care. The proposed lease amendment will continue to address the growing demand for specialized services on behalf of the target population.

The Countywide Specialized Foster Care Mental Health Services Plan, adopted by the Board of Supervisors, represents an effort between DMH and DCFS to address the specialized mental health needs of foster care children. DMH staff co-located at DCFS regional offices provides mental health screenings and referrals or coordination of emergency psychiatric responses for severe cases, centralized client enrollment, case management and tracking, consultation, system navigation, technical assistance and training, as well as monitoring of services and measurement of outcomes. DMH and contract agencies provide comprehensive and standardized psychosocial and developmental assessments, and provide intensive in-home and in-clinic evidence-based treatment approaches shown to be effective in treating the severe emotional and behavioral problems of applicable foster care participants. The services provided at this location will offer comprehensive and effective mental health services that are culturally and linguistically sensitive based on the demographics and needs of the local community, and be targeted towards enhancing and promoting positive family relationships and improving health outcomes, as well as reducing reliance on aggregate care for children in foster care.

The inability to have a greater penetration rate of the existing underserved population can be attributed to both a lack of service capacity and gaps in specialized resources, i.e., services for the youngest children (ages birth to five), and the oldest youth (so-called "transitional youth"). The proposed lease amendment will continue to facilitate the availability of mental health services to children and families in which there is a concentration of clients, and is in close proximity to the Augustus F. Hawkins Community Mental Health Center (AFH) Area Administration and the comprehensive mental health services provided by AFH.

Parking is provided in the facility with sufficient unmetered parking available nearby. The facility is in proximity to local public transportation routes.

Implementation of Strategic Plan Goals

The Countywide Strategic Plan Goal of Integrated Services Delivery (Goal 3) directs that we maximize opportunities to measurably improve client and community outcomes and leverage resources through the continuous integration of health, community, and public safety services. The proposed lease amendment supports this goal by providing an office in, or near the community it serves to increase effectiveness, enhance customer service, and provide responsive services to the public. The lease amendment is in conformance with the Asset Management Principles as outlined in Attachment A.

FISCAL IMPACT/FINANCING

The proposed lease amendment will provide DMH uninterrupted use of 5,296 square feet of office space, and 20 on-site parking spaces at a monthly rent of \$10,592 per month, or \$127,104 annually, which amounts to approximately \$889,728 for the remaining term of the lease. Included in the rent is base tenant improvement (TI) allowance of \$10 per square foot, or an aggregate of \$52,960, for improvement to the premises. Attachment B is an overview of the changes in the lease.

This is a modified-gross lease whereby the Landlord is responsible for operating costs associated with the County's occupancy with the exception of utility and janitorial costs. The rent is subject to Consumer Price Index (CPI) increases of 3 percent in lieu of the previous annual fixed increases of 3 percent. Parking is available in the adjacent lot and included in the rent.

Sufficient funding for the proposed lease costs is included in the proposed Fiscal Year (FY) 2015-16 Rent Expense budget and will be billed back to DMH. DMH has sufficient funding in its FY 2015-16 operating budget to cover the projected lease costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The proposed lease amendment will provide continued use of 5,296 square feet of office space, and 20 on-site parking spaces, and contains the following provisions:

- Commencement of new rent and seven-year term upon approval by the Board of Supervisors.
- A modified-gross basis whereby the Landlord is responsible for all operational and maintenance costs, and the County is responsible for utilities and janitorial expenses.
- A Base TI allowance of \$52,960, or \$10 per square foot, included in the base rental rate for improvement of the premises.
- A cancellation provision allowing the County to cancel any time after five years of the extended lease term with 60 days prior written notice.
- Annual rental rate adjustments based upon CPI with a maximum increase of 3 percent per annum and no floor.

The Chief Executive Office (CEO) Real Estate Division staff conducted a survey within the search area to determine the availability of comparable and more economical sites. Staff was unable to identify any sites in the surveyed area that could accommodate this requirement more economically, nor are there any County-owned or leased facilities available for this program. Based upon said survey, staff has established that the rental range for similar space is between \$22.80 and \$36 per square foot per year on a modified-gross basis, i.e., minus utilities and janitorial expense. Thus, the base annual rent of \$24 per square foot per year modified-gross, including parking, for the proposed lease amendment represents a rate within the market range for the area. Attachment C shows County-owned or leased facilities in the proximity of the service area, and there are no suitable County-owned or leased facilities available for the program.

The proposed lease amendment will provide a central and appropriate location, which is consistent with the County's Facility Location Policy adopted by the Board of Supervisors on July 24, 2012, as outlined in Attachment D.

The Department of Public Works has inspected this facility and found it suitable for the County's occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402. A child care center is not feasible for the department in the proposed lease premises.

ENVIRONMENTAL DOCUMENTATION

The CEO has concluded that this project is exempt from the California Environmental Quality Act (CEQA) as specified in Class 1 of the Environmental Document Reporting Procedures and Guidelines adopted by the Board of Supervisors, and Section 15301 of the State CEQA Guidelines (Existing Facilities).

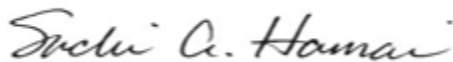
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The proposed lease amendment will adequately provide the necessary office space for this County requirement. DMH concurs with the proposed recommendation.

CONCLUSION

It is requested that the Executive Office, Board of Supervisors, return four originals of the executed lease amendment, two certified copies of the Minute Order, and the adopted, stamped Board letter to the CEO, Real Estate Division at 222 South Hill Street, 4th Floor, Los Angeles, CA 90012 for further processing.

Respectfully submitted,



SACHI A. HAMAI

Interim Chief Executive Officer

SAH:JJ:CMM

TS:NCH:gw

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Mental Health

1.	Occupancy		Yes	No	N/A
A	Does lease consolidate administrative functions? ²				X
B	Does lease co-locate with other functions to better serve clients? ²			X	
C	Does this lease centralize business support functions? ²				X
D	Does this lease meet the guideline of 200 sq. ft of space per person? ² Ratio is approximately 230 square feet per person. The program accommodates child play area, waiting and interview areas per Foster Care operation. Clinic space allocation is typically 250 sq. ft. per person.			X	
E	Does lease meet the 4/1000 sq. ft. parking ratio guideline? ² 20		X		
F	Does public parking and mass-transit exist to facilitate employee, client and visitor access to the proposed lease location? ²		X		
2.	Capital				
A	Is it a substantial net County cost (NCC) program?			X	
B	Is this a long term County program?		X		
C	If yes to 2 A or B; is it a capital lease or an operating lease with an option to buy?			X	
D	If no, are there any suitable County-owned facilities available?			X	
E	If yes, why is lease being recommended over occupancy in County-owned space?				X
F	Is Building Description Report attached as Attachment C?		X		
G	Was build-to-suit or capital project considered? The County already occupies the facility and a capital project was not considered.			X	
3.	Portfolio Management				
A	Did department utilize CEO Space Request Evaluation (SRE)?		X		
B	Was the space need justified?		X		
C	If a renewal lease, was co-location with other County departments considered?			X	
D	Why was this program not co-located?				X
	1. ____ The program clientele requires a "stand alone" facility.				
	2. ____ No suitable County occupied properties in project area.				
	3. <u>X</u> No County-owned facilities available for the project.				
	4. ____ Could not get City clearance or approval.				
	5. ____ The Program is being co-located.				
E	Is lease a full service lease? ² County will pay for utilities and janitorial costs in a standalone facility.			X	
F	Has growth projection been considered in space request?		X		
G	Has the Dept. of Public Works completed seismic review/approval?		X		
¹ As approved by the Board of Supervisors 11/17/98					
² If not, why not?					

**FISCAL IMPACT / FINANCING
OVERVIEW OF LEASE CHANGES**

10421 S. Figueroa Street, Los Angeles	Existing Lease	Proposed Lease/ First Amendment	Change
Area (square feet)	5,296	5,296	None
Term	(11/01/2007-10/31/2014) currently on month-to-month holdover	Seven years upon Board adoption	+ 7 years
Annual Rent	\$121,415 (\$22.93/sq.ft.)	\$127,104* (\$24/sq.ft.)	+\$5,689 (+\$1.07/sq.ft.)
Tenant Improvement (TI) Allowance	\$105,920 (\$20/sq.ft.)	\$52,960 (\$10/sq.ft.)	-\$52,960 (-\$10/sq.ft.)
Cancellation	County after 5 years with 180 days notice	County after 5 years with 60 days notice	-120 days notice
Parking (included)	20 spaces	20 spaces	None
Option to Renew	One 3-year option	None	None
Rental Adjustment	Automatic 3 percent increases per year	CPI increases capped at 3 percent, no floor	-3 percent auto increase; +CPI with 3 percent cap

* Lease comprised of 5,296 square feet of office space at new rate of \$2.00/sq.ft. monthly.

**DEPARTMENT OF MENTAL HEALTH
SPACE SEARCH – 3-MILE RADIUS OF HAWKINS MENTAL HEALTH CENTER**

LACO	Facility Name	Address	Gross SQFT	Net SQFT	Ownership	Vacant SQFT
5374	PUBLIC LIBRARY-WOODCREST LIBRARY	1340 W 106TH ST, LOS ANGELES	7,254	5,792	OWNED	NONE
A602	DCFS - TRANSITIONAL RESOURCE CENTER	8730 S VERMONT AVE, LOS ANGELES	600	570	LEASED	NONE
5721	DPSS-SOUTH CENTRAL AP DISTRICT OFFICE	10728 S CENTRAL AVE, LOS ANGELES	51,991	30,697	OWNED	NONE
1694	ATHENS-FIELD OFFICE/COMFORT STATION	12603 S BROADWAY, LOS ANGELES	655	264	OWNED	NONE
4403	SOUTH SERVICES AGENCY-ADMINISTRATION BUILDING	360 W EL SEGUNDO BLVD, LOS ANGELES	2,584	1,901	OWNED	NONE
T517	SOUTH SERVICES AGENCY-PARK RESERVATION OFFICE	360 W EL SEGUNDO BLVD, LOS ANGELES	1,144	687	OWNED	NONE
5275	PH-SOUTH PUBLIC HEALTH CENTER	1522 E 102ND ST, LOS ANGELES	19,060	11,704	OWNED	NONE
6319	PUBLIC LIBRARY-A C BILBREW LIBRARY	150 E EL SEGUNDO BLVD, LOS ANGELES	21,843	18,287	OWNED	NONE
6465	DCSS-WILLOWBROOK SENIOR CENTER	12915 S JARVIS AVE, LOS ANGELES	12,858	8,670	OWNED	NONE
A614	DPSS-SOUTHWEST SPEC DIST (VERMONT VILLAGE)	1819 W 120TH BLVD, LOS ANGELES	88,546	84,119	LEASED	NONE
B995	DAVID V KENYON JUVENILE JUSTICE CENTER	7625 S CENTRAL AVE, LOS ANGELES	18,108	12,335	OWNED	NONE
Y264	PROBATION-KENYON JUSTICE CENTER OFFICE	7672 S CENTRAL AVE, LOS ANGELES	4,505	2,095	OWNED	NONE
6400	DCSS-FLORENCE / FIRESTONE SERVICE CENTER	7807 S COMPTON AVE, LOS ANGELES	15,929	8,834	OWNED	NONE

FACILITY LOCATION POLICY ANALYSIS

Proposed lease renewal: Seven-year lease amendment for the Department of Mental Health – 10426 South Figueroa Street, Los Angeles – 2nd District. There is a County cancellation right after five years.

A. Establish Service Function Category – Regional and local public service function.

B. Determination of the Service Area –The proposed lease renewal amendment will allow DMH to continue to provide a comprehensive Specialized Foster Care Service office centrally located to this Service Planning Area 6 and parts of 7.

C. Apply Location Selection Criteria to Service Area Data

- Need for proximity to service area and population: DMH programs are most effective when located in the same geographic area as their consumers, providers and stakeholders. This location meets the service area criteria and remains in the desired area.
- Need for proximity to existing County facilities: It is DMH's desire to collaborate with County Department partners, such as the Departments of Public Social Services and Children and Family Services whenever possible. The subject facility is located within five miles of offices housing Departments of Mental Health, the Departments of Public Social Services, Children and Family Services, Child Support Services and the Sheriff's Department.
- Need for proximity to Los Angeles Civic Center: N/A
- Economic Development Potential: N/A
- Proximity to public transportation: The location is adequately served by local transit services.
- Availability of affordable housing for County employees: The surrounding area provides for affordable housing and rental opportunities.
- Use of historic buildings: N/A
- Availability and compatibility of existing buildings: There are no existing County buildings available to meet the Department's service needs.

- Compatibility with local land use plans: The Department of Public Works inspected the facility and found it suitable for County occupancy. Notification letters have been sent pursuant to Government Code Sections 25351 and 65402.
- Estimated acquisition/construction and ongoing operational costs: The initial maximum annual rent is \$127,104. Rental costs are 100 percent funded by State and federal funding sources.

D. Analyze results and identify location alternatives

Based upon the space and service needs of DMH, staff surveyed the immediate area to determine the availability of comparable and more economical site alternatives.

Based on a survey of the area, staff established the annual rental range for similar office space is up to \$36 per square foot on a triple net basis, i.e., excluding operational, maintenance costs and parking. Therefore, the proposed annual rent of \$24 on a modified-gross basis, including parking, is within market range for the area and supports the lease renewal at this location.

E. Determine benefits and drawbacks of each alternative based upon functional needs, service area, cost and other Location Selection Criteria

The renewal of the subject lease amendment for DMH will provide adequate office space for its employees and efficient space for on-site service to clients, which is consistent with the County's Facility Location Policy adopted by the Board of Supervisors on July 24, 2012. The cost of comparable sites was higher per square foot and the sites would require tenant improvements that would drive the rent up further.

FIRST AMENDMENT TO LEASE AGREEMENT

THIS FIRST AMENDMENT TO LEASE AGREEMENT (this "First Amendment") is made as of this 29th day of September 2015, by and between **Harutyun Yeranossian**, (the "Landlord") and **COUNTY OF LOS ANGELES**, a body politic and corporate (the "Tenant").

RECITALS:

WHEREAS, Landlord and Tenant entered into that certain lease agreement dated November 31st, 2006 for certain premises commonly known as 10421 S. Figueroa Street, Los Angeles, CA 90003, comprised of approximately 5,296 square feet (the "Premises"), said original lease ("Original Lease") and this First Amendment collectively referred to herein as the "Lease";

WHEREAS, the term of the Lease expired on October 31st, 2014, and Tenant continues to occupy the Premises in holdover status; and

WHEREAS, the parties hereto desire to extend the term of the Lease and modify and amend the Lease as hereinafter provided.

NOW, THEREFORE, for and in consideration of the mutual covenants and provisions contained herein and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

AMENDED TERMS AND CONDITIONS:

1. **NEW TERM.** The term for the Premises shall be eighty four (84) months commencing on the Commencement Date and expiring on the Expiration Date (the "New Term"). Section 33, Option to Extend, of the Lease is hereby deleted in its entirety.
2. **NEW COMMENCEMENT DATE.** The New Commencement Date shall mean the date that the First Amendment is mutually agreed to by the parties herein.
3. **NEW EXPIRATION DATE.** The New Expiration Date shall mean the date that is eighty four (84) months after the New Commencement Date.
4. **BASIC RENT.** Tenant shall pay to Landlord during the first year of the Term, Basic Rent in the amount of *Ten Thousand Five Hundred Ninety-two and 00/100 Dollars (\$10,592.00)*, i.e. *\$2.00 per square foot per month*, without any off-set, deduction, prior notice or demand, which shall be payable on the first (1st) day of each calendar month. Until the New Commencement Date, Tenant shall continue to pay the existing Basic Rent for the Premises pursuant to the Original Lease.
5. **ANNUAL INCREASES.** If the Consumer Price Index ("CPI") on any Adjustment Date (which shall mean the first day of the month every year in which the anniversary of the Commencement Date falls) shall be greater than the CPI in effect on the New Commencement Date, the Basic Rent shall be adjusted, upwards only, by adding an amount ("CPI Escalation Amount") equal to the product obtained by multiplying the Basic Rent by the increase in the CPI from the New Commencement Date through the relevant Adjustment Date. For purposes hereof, the CPI in effect on the New Commencement Date and on any Adjustment Date shall be determined on the basis of the CPI for the second calendar month preceding the months in which the New Commencement Date and relevant Adjustment Date fall. The CPI shall

mean the Consumer Price Index for All Urban Consumers, All Items, Los Angeles-Anaheim-Riverside County, CA 1982-84=100, published by the United States Department of Labor, Bureau of Labor Statistics ("Bureau"). If such index is discontinued or revised, Landlord shall substitute a comparable index which shall produce a result which is comparable to the result which would have been produced had such index not been discontinued. In no event shall the monthly Basic Rent adjustment based upon the CPI formula result in an annual increase greater than three percent (3%) per year of the Basic Rent.

6. **CONDITION OF PREMISES.** Prior to the New Commencement Date, Landlord shall complete Landlord's Work. Landlord, within a commercially reasonable period of time after Landlord's approval of the plans and specifications for the Improvements (as defined herein), shall commence and complete such Landlord work on the Improvements and shall pay for the costs of the same up to a maximum cost of the Base and Tenant Improvement Allowances. The "Improvements" shall mean, collectively, certain improvements, alterations and/or additions to the Premises to be constructed pursuant to and in accordance with plans and specifications submitted to and approved by Landlord and Tenant, in relation to this First Amendment. Landlord acknowledges that the Improvements may include, without limitation, the purchase of new furniture, fixtures and equipment for the Premises. The Improvements shall be performed by and under the authority of Landlord, or its authorized agent, and approved by a designated representative of the Chief Executive Office, which approval shall not be unreasonably withheld, conditioned or delayed. All Improvements shall be in compliance with all applicable laws, codes, and ordinances, including but not limited to, the Americans with Disabilities Act (ADA).

7. **BASE TENANT IMPROVEMENT ALLOWANCE.** The Base Tenant Improvement Allowance (as that term is defined in the Lease) for the Premises shall be Fifty-Two Thousand Nine Hundred Sixty and 00/100 Dollars (\$52,960.00) for completion of Tenant's improvements to the Premises.

8. **EARLY TERMINATION RIGHT.** Tenant shall have the right to terminate this Lease after the 60th month of the New Term provided Tenant provides a 60-day written notice to Landlord, sent via certified mail with return receipt requested.

9. **MISCELLANEOUS.**

a. Tenant agrees and acknowledges that the Premises remain acceptable for Tenant's use and Tenant acknowledges that neither Landlord nor any broker or agent has made any representations or warranties in connection with the physical condition of the Premises or their fitness for Tenant's use upon which Tenant has relied directly or indirectly for any purpose. Tenant has no broker representations in connection with this First Amendment.

b. Tenant hereby represents and warrants to Landlord that the Original Lease and this First Amendment (collectively, "Lease") hereby constitutes a valid and binding obligation of Tenant, enforceable against Tenant in accordance with their terms, and Tenant has no defenses, offsets or counterclaims with respect to its obligations thereunder. Tenant also represents and warrants that there is no existing Default on the part of the Landlord or the Tenant in any of the terms and conditions of the Lease and no event has occurred which, with the passing of time or giving of notice or both, would constitute a Default under the Lease by Landlord or Tenant.

c. Except as modified by this First Amendment, all of the covenants, agreements, terms and conditions of the Lease shall remain in full force and effect and are hereby in all respects ratified and confirmed.

d. The covenants, agreements, terms and conditions contained in this Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

e. The Original Lease and this First Amendment (collectively, "Lease") contain the entire agreement between the parties. The Lease may be further amended only by a written instrument in form similar to this First Amendment, and signed by and delivered to all of the parties.

f. This First Amendment may be executed in any number of counterparts, all of which together shall be deemed to constitute one instrument, and each of which shall be deemed an original. Further, a true and accurate faxed or imaged copy of signature(s) on the First Amendment is hereby deemed to function as an original signature.

g. Initially capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Original Lease.

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IN WITNESS WHEREOF, this Lease Amendment has been executed as of the date first written above.

LANDLORD:

Harutyun Yeranorian

By: _____
Landlord

TENANT:

COUNTY OF LOS ANGELES

a body politic and corporate

ATTEST:

By: Mike Antonovich
MICHAEL D. ANTONOVICH
Mayor, Board of Supervisors

PATRICK OGAWA
Acting Executive Officer-Clerk
Of the Board of Supervisors

I hereby certify that pursuant to
Section 25103 of the Government Code,
delivery of this document has been made.

By: Lachelle Smithman
Deputy

PATRICK OGAWA
Acting Executive Officer
Clerk of the Board of Supervisors

APPROVED AS TO FORM:
MARY C. WICKHAM
Interim County Counsel

By: _____
Deputy



By: Lachelle Smithman
Deputy

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

13

SEP 29 2015

Patrick Ogawa
PATRICK OGAWA
ACTING EXECUTIVE OFFICER

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September 11